

Olympic Bid Dialogue Stage Update

EXECUTIVE SUMMARY

The City of Calgary continues to work towards receiving official confirmation of financial support from both the Government of Canada (GoC) and Government of Alberta (GoA) for a 2026 Olympic and Paralympic Winter Games (OPWG) Bid Corporation (BidCo). Since the last update to Council on 2018 January 29, Administration has continued to work closely with officials from both the GoC and GoA on securing the required \$30 million total funding for the proposed BidCo.

Administration has also developed a proposed governance structure for a BidCo in consultation with the Canadian Olympic Committee (COC), GoC and GoA (Attachment 1). While not all parties have formally agreed to this structure yet, Council is being asked to move forward in this direction. Membership in the BidCo would include representation from the GoC, GoA, COC, The City of Calgary, The Town of Canmore, and the Canadian Paralympic Committee. Representatives from Indigenous Communities would be included on the BidCo Board of Directors. The BidCo will work on establishing the budget to host the 2026 OPWG and complete the information required to submit a competitive bid to the International Olympic Committee (IOC), should The BidCo members choose to pursue one.

The proposed Members of BidCo include: The City of Calgary, COC, GoA, GoC, Town of Canmore, and the Canadian Paralympic Committee (CPC). Each of the Members have their own interests, timelines, and decision-making processes. Council has also provided clear direction and Administration has worked to achieve alignment between all parties on the proposed governance and the proposed financial contributions for BidCo. While this has been challenging, significant progress is being made.

It is imperative to note that funding and incorporating a BidCo does not necessarily mean Calgary will formally bid for the 2026 OPWG but is a necessary step should the three orders of government and stakeholders decide to bid on the OPWG. BidCo will facilitate further discussions between The City and BidCo members regarding each member's commitments that are needed to host the OPWG. The City would negotiate with the other BidCo members directly and enter into a separate agreement (referred to as the Multi Party Agreement) describing such commitments. The decision of whether to submit a bid for the OPWG will require all members to agree to move forward. Should the IOC award the OPWG to Calgary, the members would then create a new corporation (the Organizing Committee for the Olympic Games) which would be responsible for organizing and hosting the OPWG.

The draft bid budget has not changed since Council was last updated. It includes total expenditures of approximately \$30 million and that sum would be covered by the three orders of government (\$10.5 million from the GoC, \$10 million from the GoA, and \$9.5 million from The City of Calgary). The City's contribution of \$9.5 million includes all previously approved funding. Should additional funds be required, The BidCo will need to fundraise from the private sector.

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ADMINISTRATION RECOMMENDATION:

That to allow Administration to continue its work, Council approve in principle the recommendations outlined below and, upon Administration advising Council in writing that it has secured financial commitments from the Government of Alberta and the Government of Canada:

1. Authorize The City of Calgary to become a member of, elect directors, and incorporate a Bid Corporation (BidCo) to continue the exploration of a bid for the 2026 Olympic and Paralympic Winter Games (OPWG);
2. Approve the Deputy City Manager as having the authority to exercise all the powers and voting rights associated with The City's membership interest in BidCo, subject to the Deputy City Manager first seeking Council direction regarding matters that materially affect the legal, business or financial risk for The City;
3. Authorize the Mayor to execute on behalf of The City all BidCo resolutions and related documents required to establish the appropriate membership and governance structure of BidCo substantially in the form described in the report, such documents to be satisfactory in content and form to the Deputy City Manager and the City Solicitor and General Counsel respectively.
4. Release an additional \$1 million (of the \$2 million) of Fiscal Stability Reserve funds that Council approved on 2017 November 20 (C2017-1181);
5. Approve a one-time increase in 2018 to operating budget program #426 of \$2.5 million from the Fiscal Stability Reserve, to complete The City's required \$9.5 million total funding commitment to the BidCo.
6. Return to Council through PFC at its April 10 meeting with an update, including a robust public engagement plan and a proposed reporting structure from BidCo to Council.

PREVIOUS COUNCIL DIRECTION / POLICY

See Attachment 2.

BACKGROUND

On 2018 January 29, City Council received a verbal report for information and directed Administration to return to Council with an update on the financial commitment towards a BidCo by the other orders of government and a debrief regarding the PyeongChang Observer Program no later than 2018 March.

On 2017 November 20, Council approved a one-time increase in funding of up to \$2 million from the Fiscal Stability Reserve (FSR) with the release of only \$1 million until financial commitments to a BidCo are secured from the provincial and federal governments (C2017-1181). At the same meeting, Administration presented the International Olympic Committee's (IOC) revised timeline which included the deadline of 2019 January to submit several components of its Bid Book. The Bid Book is a Candidate City's formal application to host the 2026 OPWG.

Administration developed a Draft Bid Budget of \$30 million that would include all of BidCo's work up to 2019 September, which is when the IOC is expected to award the 2026 OPWG. The

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budget assumes no changes to the international competitive landscape and includes all of Administration's expenses to date along with items such as Bid Development (venue plans, design concepts, athlete village, transportation plans and security plan), International Relations (final presentation design, Bid Book preparation and completion, International sport federation relations), Communications (advertising, website management, public relations, public engagement), salaries for Project Team staff and a project contingency.

The current draft bid budget follows the GoC's policy that it will contribute 35 per cent of the total funding of the bid. The budget includes costs incurred by The City to date. Further work is required to determine the best approach to develop private sources of revenue for the Candidature Stage if additional funds should be required to supplement the BidCo's budget.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

IOC Observer Program

The 2018 Olympic Winter Games concluded in PyeongChang, South Korea on 2018 February 25. As part of continuing the Dialogue Stage, a number of delegates took part in the IOC Observer Program. Calgary also sent delegates to the Paralympic Winter Games, which concluded on 2018 March 18. Both programs were deemed successful by the delegates who attended and more details are available in Attachment 3.

Financial discussions with other orders of government

Administration has worked closely with officials from the GoC and GoA, and the IOC Observer Program allowed each order of government to spend time together to share and better understand each other's different perspectives on the Olympic Bid file. Discussions and meetings continue on the financial commitments that would be required from the proposed BidCo Members in order to proceed with a bid.

Bid Corporation

The City of Calgary, COC, GoA and GoC have had initial meetings to discuss the structure and governance of the proposed BidCo and have an agreement in principle on the structure should Council decide to become a BidCo member. This structure has not yet been formally approved by each Member. BidCo members would not take an active role in BidCo's governance, but would elect the directors to sit on BidCo's board, and would also approve fundamental changes to BidCo's corporate structure.

It is recommended that the Board consist of no more than 19 directors, elected by each of the classes of members as follows:

- The City of Calgary – 3 Directors;
- Canadian Olympic Committee – 3 Directors;
- Government of Canada – 3 Directors;
- Government of Alberta – 3 Directors;
- Canadian Paralympic Committee – 1 Director;
- The Town of Canmore – 1 Director;

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- Up to 4 “at large” Directors appointed by the members on a consensus basis. Two representatives of Indigenous population would be part of this group. These at large Directors would not include the Board Chair; and
- 1 “at large” Director who would act as the Board Chair. The Board Chair would be appointed by the members on a super-majority (rather than a consensus) basis, requiring approval from each of The City, Canadian Olympic Committee, GoC and GoA.

The Board of Directors would govern BidCo, and take actions such as appointing BidCo’s officers, establishing Board committees, and approving BidCo’s budget and strategic plan. Certain identified core decisions will be decided on a “super-majority” basis to give Directors elected by each Membership class with the right to elect 3 Directors (e.g. The City) the ability to effectively block a proposed action that may not be in the best interest of BidCo and its stakeholders as a whole.

The BidCo structure is laid out, in detail, in Attachment 1.

Timeline

Administration has identified the next critical project milestone as an update to Council in 2018 June (Attachment 4) followed by the IOC’s decision in 2018 October which will determine the Interested Cities that will move forward in the candidature process.

Council will be given an off-ramp and/or decision point at the next scheduled report to Council in 2018 June.

Stakeholder Engagement, Research and Communication

Stakeholder Engagement

As part of the Dialogue Stage, The City continues to work with the GoC and GoA to confirm funding opportunities and have established a tripartite working group of administrative officials in each government to improve information sharing and gain efficiencies in the processes of each party.

The project team also meets regularly with its Panel of Advisors, which is comprised of a few of the former Calgary Bid Exploration Committee (CBEC) board members and community leaders. This panel of advisors helps inform the Project Team’s evaluation, ensuring that a wide variety of impacts and benefits of hosting the 2026 OPWG are understood and considered.

Should Calgary become a Member of BidCo, the public engagement program will be further developed and expanded, to provide Calgarians with opportunities to contribute their opinions and thoughts on a potential bid.

Research

A survey was launched to The City’s Citizen View panel which consists of 3,277 panel members. The panel members volunteer and are pre-registered to participate in City surveys and provide their feedback on a variety of City programs. A total of 1,235 panelists completed the survey and some highlights include: 95 per cent of Calgarians are aware that The City is exploring a potential 2026 bid; 70 per cent of Calgarians have recalled information that is a mix of positive and negative. The top three subjects citizens want more information about are financially focused and include 1. Project cost, 2. Information about funding, 3. Economic

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impacts.

A project of this magnitude is of great interest to citizens, all orders of government and other local and national stakeholders. As such, a key area of the 2026 OPWG Project Team's upcoming work includes a plan to develop and deploy a quantitative research initiative that would solicit public opinion on pursuing a bid. The project team is working with The City's Customer Service & Communications (CSC) team to coordinate this plan.

The Citizen View Panel is part of the three-pronged approach (citizen view panel, traditional media monitoring and social listening) to help inform our engage and communications strategy and tactics.

Communication

With the recent 2018 Winter Games and the achievements of the Canadian Olympic and Paralympic Team, public sentiment on social media, around the Olympic and Paralympic Games as a whole is positive. It should be noted that social media conversation related specifically to a possible Calgary 2026 bid is quite low, with an average of 25 tweets per day produced, primarily, by the same small group of Twitter users. While social media sentiment is helpful in gauging sentiment, the quantitative research initiative will provide a more holistic view of Calgarians' sentiment.

Strategic Alignment

The Municipal Development Plan, Calgary Transportation Plan, existing Area Structure Plans, Infrastructure Investment Plans and the Triple Bottom Line continue to be used during the Dialogue Stage to ensure alignment at the municipal level. These documents will also continue to guide the initial 2026 OPWG vision, mission, benefits and legacy plans to help shape Calgary's future and meet the needs of Calgarians from now to 2026 and beyond.

Social, Environmental, Economic (External)

Extensive community consultation has been built into The City's existing plans and policies. The 2026 OPWG Bid Exploration utilized these strategic plans as a foundation and as a result citizen's social, environmental and economic priorities will be reflected in the initial draft 2026 OPWG vision, mission, benefits and legacy plans. Should Calgary choose to, and receive IOC endorsement to, proceed to the Candidature Stage, these statements will be further refined with public input by a BidCo and other key stakeholders prior to their inclusion in a formal bid book.

Financial Capacity

Current and Future Operating Budget:

On 2017 November 20 (C2017-1181), City Council directed Administration to continue to seek financial participation from the other orders of government in the Bid Corporation. Council also approved a one-time increase in funding in 2018 of up to \$2 million from the Fiscal Stability Reserve, with \$1 million of the total funds being held until The City has secured financial commitments from the Government of Alberta and the Government of Canada.

In order to meet The City's requirements for a BidCo, Administration is requesting an additional \$2.5 million in funding be provided to the project once The City has secured financial

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commitments from the Government of Alberta and the Government of Canada, bringing The City's total BidCo funding, inclusive of the expenditures to date, to \$9.5 million, per the Draft Bid Budget.

If Council chooses to not endorse the recommendations, Administration recommends that the remaining funds are directed to the development of a facility lifecycle strategy.

Current and Future Capital Budget:

No capital budget impacts as a result of this report.

Risk Assessment

All risks associated with a potential 2026 OPWG bid are impossible to identify or quantify. These risks would include but are not limited to; legal risk associated with the Host City Contract (which has not yet been published for 2026), various forms of financial risk including project cost increases, and risk in The City's reputation including its credit rating. In light of this, it is not currently possible to identify the nature or extent of legal, financial or other risk to which The City might be exposed to, or the risk mitigation, management or transfer strategies available to The City. The City is continuing to identify and mitigate risk by reviewing previous contracts used by host cities for prior Olympic Games, and having continuing discussions with the IOC regarding the OPWG. Any city exploring a potential 2026 OPWG bid must give significant consideration to both the operating and capital costs associated with bidding and hosting the 2026 OPWG.

Calgary's launch of the Exploration Stage as led by CBEC, prior to entering an Olympic bid process is an unprecedented approach by a city to understand the risks associated with hosting the Olympic Games prior to launching a formal bid. The Exploration Stage has been a foundational mitigation approach in addressing the multitude of risks associated with bidding for and hosting an Olympic Games. Throughout the Exploration Stage, a risk registry was maintained by CBEC, in addition to a separate risk registry tracked by City Administration. The risks associated with hosting the 2026 OPWG were reported to Council in CBEC's report delivered at the 2017 July 24 Council meeting and in Administration's reports to Council on 2017 July 31 and 2017 November 20. As a result of CBEC's and Administration's previous analysis, The City is uniquely positioned to assess and ultimately determine whether it should proceed with a bid or not.

Over the past year, Council was updated numerous times (through official reports, lunch and learns, briefings etc), and within the updates potential off-ramps were identified to mitigate risk. Further, Council endorsed Five Principles (C2017-0616) that outline five key financial risk areas which need to be addressed prior to officially declaring Calgary's intent for bid. Administration believes that Calgary has taken a very strong risk adverse position to this point and shares Council's view that risks associated with bidding for the 2026 OPWG need continuous monitoring and assessment.

The City will continue to seek commitments for hosting the OPWG from the other orders of government. Without those firm commitments in place, the Olympic and Paralympic Bid Project is at risk given the IOC's timeline.

The City of Calgary is currently facing significant challenges as it balances a number of potential opportunities with their financial implications, including the 2026 OPWG. Debt levels are expected to increase as the recently approved Green Line Stage 1 construction is scheduled to be completed by 2026. Given the current assumptions around existing debt, Green Line debt

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and other future debt both directly and indirectly associated with the 2026 OPWG, there is concern that debt levels could exceed appropriate amounts. There is also concern that currently there is no identified debt or interest repayment source should debt be required to support the 2026 OPWG. A more in-depth analysis of The City's findings is required, including a clear understanding of the financial investment intent of the other orders of government in hosting the 2026 OPWG.

REASON(S) FOR RECOMMENDATION(S):

Administration continues to work towards receiving financial commitments from the Government of Canada and Government of Alberta for an Olympic and Paralympic Bid Corporation (BidCo).

The incorporation of a BidCo and participation by The City of Calgary as members and directors will give Calgary the best chance of meeting the required timelines and being prepared to make a final decision to submit a bid for the 2026 OPWG.

Incorporating and funding a BidCo does not commit The City of Calgary to bid for the 2026 OPWG.

While the BidCo will be doing work necessary to prepare for and potentially submit a Bid Book to the IOC for hosting the OPWG, it would not proceed to submit a formal bid without Council's approval.

ATTACHMENT(S)

1. Bid Corporation Governance
2. Previous Council direction
3. IOC Observer Program
4. Timeline
5. Olympic Bid Survey Preliminary Results